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MID-SESSION REVIEW OF THE 1997 BUDGET

COMMUNICATION

FROM

THE ACTING DIRECTOR, THE OFFICE
OF MANAGEMENT AND BUDGET

TRANSMITTING

A REPORT ON REVISED ESTIMATES OF THE BUDGET RECEIPTS,
OUTLAYS, AND BUDGET AUTHORITY FOR FISCAL YEARS 1996
THROUGH 2002 AND OTHER SUMMARY INFORMATION REQUIRED
BY STATUTE—RECEIVED IN THE UNITED STATES HOUSE OF
REPRESENTATIVES JULY 16, 1996, PURSUANT TO 31 U.S.C. 1106(a)



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EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, DC, July 16, 1996.

Hon. NEWT GINGRICH,
Speaker of the House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: Section 1106 of Title 31, United States Code, requires that the President transmit to the Congress a supplemental summary of the Budget that was transmitted to the Congress earlier in the year. This supplemental summary of the Budget, commonly known as the Mid-Session Review, contains revised estimates of the budget receipts, outlays, and budget authority for fiscal years 1996 through 2002 and other summary information required by statute.

At the President's direction, I have the honor to transmit the required Mid-Session Review of the Budget.

Sincerely,

JACOB J. LEW, *Acting Director.*

Enclosure.

Identical letter sent to the President of the Senate.

MID-SESSION REVIEW
OF THE
1997 BUDGET



July 1996



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUL 16 1996

Honorable Newt Gingrich
Speaker of the House
of Representatives
Washington, DC 20515

Dear Mr. Speaker:

Section 1106 of Title 31, United States Code, requires that the President transmit to the Congress a supplemental summary of the Budget that was transmitted to the Congress earlier in the year. This supplemental summary of the Budget, commonly known as the Mid-Session Review, contains revised estimates of the budget receipts, outlays, and budget authority for fiscal years 1996 through 2002 and other summary information required by statute.

At the President's direction, I have the honor to transmit the required Mid-Session Review of the Budget.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacob J. Lew".

Jacob J. Lew
Acting Director

Enclosure

Identical Letter Sent to The President of the Senate

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GENERAL NOTES

1. All years referred to are fiscal years unless otherwise noted.
2. All totals in the text and tables display both on-budget and off-budget spending and receipts unless otherwise noted.
3. Details in the tables and text may not add to totals because of rounding.

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EXECUTIVE SUMMARY

The Administration now projects that the fiscal 1996 deficit will be \$117 billion—\$29 billion less than its March estimate in the President's 1997 budget. The economy has performed better than expected, generating more federal receipts. At the same time, federal spending will be lower than the Administration projected in March.

When the President took office in January 1993, he inherited a budget that was clearly out of control. The budget deficit had hit a record \$290 billion in fiscal 1992—the last full year before he arrived—and both OMB and the Congressional Budget Office (CBO) projected that, without action, it would go much higher. The spiraling deficits of the previous 12 years had quadrupled the national debt, reduced national savings, choked off private investment, sent the trade deficit soaring, pushed up interest rates, blocked job creation, and hampered economic growth.

Working with the last Congress, the President put in place an economic program in 1993 that helped cut the deficit by more than half, freeing funds for private investment. The program also cut taxes for 15 million working families, made 90 percent of small businesses eligible for tax relief, and increased public investment in education and training, the environment, science and technology, law enforcement, and other priorities that will help raise living standards and the quality of life for average Americans, now and in the future. Along with the President's expansive trade policies, the plan helped spur strong economic growth, create over 10 million new jobs, and keep interest rates and inflation well in check.

Three-and-a-half years after the President took office, the deficit is now under control and fiscal policy is pointed in the right direction. In this *Mid-Session Review of the 1997 Budget*, the Administration projects that at \$117 billion, the 1996 deficit will be far less than half of the \$290 billion of 1992. The deficit will fall for the fourth

straight year, the first time that has occurred under one President since before the Civil War. The Administration also projects that, as a share of Gross Domestic Product (GDP), the deficit will fall to 1.6 percent, its lowest level since 1974. In fact, the budget would be balanced today if not for interest on the deficits run up in the 12 years before 1993.

The President has cut the deficit the right way, by cutting unnecessary or lower priority spending while reinventing the way Government works. Working with Congress since 1993, the President has eliminated nearly 180 programs and projects and cut hundreds more. Through the leadership of the Vice President's National Performance Review, the President has cut the federal workforce by over 230,000 people, bringing it to its smallest size in 30 years. The President also has reinvented departments and agencies, eliminated and streamlined tens of thousands of pages of federal regulations, and overhauled the way Government buys goods and services.

Having cut the deficit by over half, the President is committed to completing the job. His 1997 budget would reach balance in 2002 under either OMB or CBO economic and technical assumptions; under OMB's, it would achieve a \$26 billion surplus in 2001, rising to \$61 billion in 2002. The budget would cut unnecessary and lower-priority programs while investing in education and training, the environment, science and technology, law enforcement, and other key priorities. The budget also would protect Medicare and Medicaid, reform welfare to make work pay, and provide tax relief to help middle-income Americans raise their young children, pay for postsecondary education, and save for the future.

Last winter, the President and the bipartisan congressional leadership did not reach a final agreement on how to balance the budget. But, through over 50 hours of negotiations, they found more than enough common savings to reach balance and provide modest

tax relief. Although Republican leaders left the bargaining table, the President has repeatedly urged them to return in order to give the American people the balanced budget they deserve.

This report updates the Administration's estimates of the deficit, revenues, and spending for 1996–2002 that it released in March, as part of the President's fiscal 1997 budget. The new estimate for the 1996 deficit is \$29 billion lower than the prior estimate of \$146 billion, reflecting a stronger economic performance than the Administration has previously projected. This better-than-expected deficit level also reflects the effects of congressional actions on 1996 appropriations bills that were not passed by Congress or signed by the President until more than half-way through fiscal 1996—that is, after the President released his 1997 budget.

Table 1, below, shows the changes in the budget totals—receipts, outlays, and surpluses or deficits—compared to the 1997 budget. Due to stronger economic performance, estimated receipts for 1996 have risen from \$1.427 trillion to \$1.453 trillion, while 1996 outlays have fallen from \$1.572 trillion to \$1.570 trillion. As a result, the estimated deficit has fallen from \$146 billion just four months ago to \$117 billion in this report.

The next section of this report outlines the changes in economic assumptions. The two sections that follow deal with receipts and outlays; specifically, they show how the new economic assumptions, technical reestimates, and completed policy actions (e.g., enacted appropriation bills) affect receipts and outlays. This report ends with an update of the status of budget enforcement procedures.

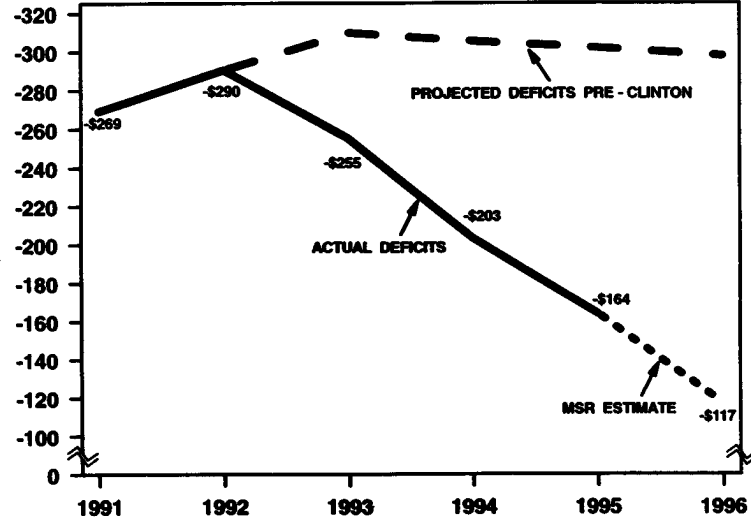
Table 1. CHANGES IN BUDGET AGGREGATES: MARCH TO MID-SESSION
(In billions of dollars)

	1996	1997	1998	1999	2000	2001	2002
March estimates:							
Receipts	1,426.8	1,495.2	1,577.9	1,652.5	1,733.8	1,819.8	1,912.2
Outlays	1,572.4	1,635.3	1,675.9	1,716.9	1,761.4	1,811.5	1,868.3
Deficit/surplus (–)	145.6	140.1	98.0	64.4	27.5	–8.3	–43.9
Change March to Mid-Session:							
Receipts	26.6	9.6	8.3	8.5	13.8	13.7	12.5
Outlays	–2.3	–4.7	4.5	–1.0	–2.4	–3.8	–4.5
Deficit/surplus (–)	–28.9	–14.4	–3.8	–9.5	–16.2	–17.5	–17.0
Mid-Session estimates:							
Receipts	1,453.4	1,504.9	1,586.2	1,661.1	1,747.6	1,833.5	1,924.7
Outlays	1,570.1	1,630.6	1,680.4	1,716.0	1,758.9	1,807.7	1,863.8
Deficit/surplus (–)	116.8	125.7	94.1	54.9	11.3	–25.8	–60.9
MEMORANDUM: Mid-Session deficit/surplus as a percent of GDP							
	1.6%	1.6%	1.1%	0.6%	0.1%	–0.3%	–0.6%

EXECUTIVE SUMMARY

REDUCING THE DEFICIT: THE CLINTON RECORD

DOLLARS IN BILLIONS



ECONOMIC ASSUMPTIONS

Recent Developments

The current economic expansion, now in its sixth year, has outlasted seven of its nine postwar predecessors. Judging by developments in key sectors, it shows every indication of continuing.

With strong job growth and low unemployment, consumers are willing and able to spend. With inventories in line with sales, increases in demand are stimulating new orders and production. At the same time, rising domestic and foreign sales continue to boost business investment in new plant and equipment. Inflation remains under control, interest rates are relatively low, and the economy is creating good jobs; indeed, the real hourly earnings of American workers are growing again. The macroeconomic policies of the past three years have enabled the economy to proceed along a sustainable growth path with low unemployment and stable inflation.

At the start of 1996, economic developments raised concerns that the expansion might falter. Real GDP moderated in the fourth quarter of 1995, and a combination of adverse factors—including a record blizzard, two partial shutdowns of the Federal Government, and an automobile manufacturer's strike—restrained growth. The concerns, however, proved unwarranted. Real GDP grew at a 2.2 percent annual rate in the first quarter, and growth accelerated in the second. Unemployment remained around 5.6 percent during the first half of this year—the same low level as in 1995—and fell to 5.3 percent in June.

The underlying inflation rate, measured by the Consumer Price Index (CPI) minus food and energy, also held steady, rising at a 3.0 percent annual rate during the first five months of 1996—the same pace as in 1995. An unexpected spike in energy prices, in part caused by the unusually cold winter, pushed the overall index up during the first five months of 1996. But wholesale energy prices have already come

down, and they should slow overall inflation in the coming months.

Short-term interest rates hardly changed during the first half of this year, while long-term rates—still below their level of four years ago—rose, partly because of accelerated economic activity and expectations of higher credit demands in the future. The absence of a balanced budget agreement also probably put upward pressure on the interest rates.

At the end of January, the Federal Reserve Board cut the Federal Funds rate by one-quarter percentage point. Since then, it has kept monetary policy unchanged as economic growth has accelerated while inflationary pressures have remained subdued.

Revised Economic Assumptions

The economic assumptions for this report are still based on the President's 1997 budget proposals to cut the deficit and reach a surplus by 2002. The Administration assumes that the President's balanced budget program and the maintenance of stable inflation will enable long-term interest rates to fall in the coming years.

The Administration has revised its assumptions to reflect the economy's unexpected strength in the first half of the year. As Table 2 shows, the Administration now assumes that real GDP will grow 2.6 percent over the four quarters of calendar 1996, compared with the 2.2 percent that the budget assumed.

Because of higher GDP growth, the Administration now expects unemployment to average 5.6 percent in 1996, down from the earlier assumption of 5.7 percent. The Administration projects that inflation for the year, measured by the CPI, will average 3.2 percent over the four quarters of 1996—0.1 percentage point more than in the budget. Finally, because long-term rates in the second quarter of 1996 were above those that the budget assumed, the Administration now expects interest rates to be somewhat higher than

Table 2. ECONOMIC ASSUMPTIONS¹
(Calendar years; dollar amounts in billions)

	Actual 1995	Projections						
		1996	1997	1998	1999	2000	2001	2002
Gross Domestic Product (GDP):								
Levels, dollar amounts in billions:								
Current dollars	7,246	7,569	7,952	8,360	8,783	9,233	9,701	10,196
Real, chained (1992) dollars	6,739	6,888	7,050	7,214	7,381	7,552	7,725	7,905
Chained price index (1992 = 100), annual average	107.6	110.2	113.0	116.2	119.3	122.5	125.8	129.3
Percent change, fourth quarter over fourth quarter:								
Current dollars	3.7	5.0	5.1	5.1	5.1	5.1	5.1	5.1
Real, chained (1992) dollars	1.3	2.6	2.3	2.3	2.3	2.3	2.3	2.3
Chained price index (1992 = 100)	2.6	2.5	2.7	2.7	2.7	2.7	2.7	2.7
Percent change, year over year:								
Current dollars	4.5	4.5	5.1	5.1	5.1	5.1	5.1	5.1
Real, chained (1992) dollars	2.0	2.2	2.4	2.3	2.3	2.3	2.3	2.3
Chained price index (1992 = 100)	2.5	2.4	2.6	2.8	2.7	2.7	2.7	2.7
Incomes, billions of current dollars:								
Personal income	6,102	6,403	6,722	7,040	7,368	7,708	8,068	8,467
Wages and salaries	3,420	3,588	3,797	4,003	4,214	4,429	4,653	4,894
Corporate profits before tax	601	652	697	724	764	815	848	880
Consumer Price Index (all urban):²								
Level (1982-84 = 100), annual average	152.4	156.9	161.3	165.8	170.5	175.3	180.2	185.2
Percent change, fourth quarter over fourth quarter	2.7	3.2	2.8	2.8	2.8	2.8	2.8	2.8
Percent change, year over year	2.8	3.0	2.8	2.8	2.8	2.8	2.8	2.8
Unemployment rate, civilian, percent:								
Fourth quarter level	5.6	5.6	5.7	5.7	5.7	5.7	5.7	5.7
Annual average	5.6	5.6	5.7	5.7	5.7	5.7	5.7	5.7
Federal pay raises, January, percent:								
Military	2.6	2.9	3.0	3.1	3.1	3.1	3.1	3.1
Civilian ³	2.0	2.0	3.0	NA	NA	NA	NA	NA
Interest rates, percent:								
91-day Treasury bills ⁴	5.5	4.9	4.5	4.3	4.2	4.0	4.0	4.0
10-year Treasury notes	6.6	6.2	5.6	5.2	5.0	5.0	5.0	5.0
Addendum: March Budget assumption for GDP implicit price deflator, pre-revision basis (1987 dollars):⁵								
Percent change, year over year	1.7	2.2	2.2	2.2	2.3	2.2	2.2	2.2

¹ Based on information available as of June 1996.

² CPI for all urban consumers. Two versions of the CPI are published. The index shown here is that currently used, as required by law, in calculating automatic adjustments to individual income tax brackets. Projections reflect scheduled changes in methodology.

³ Percentages for 1995 and 1996 exclude locality pay adjustments. Percentages to be proposed for years after 1997 have not yet been determined.

⁴ Average rate (bank discount basis) on new issues within period.

⁵ Because the comprehensive revision to the National Income and Product Accounts (which include GDP price measures) was delayed due to furloughs of Government employees, some budget estimates and their Mid-Session Review updates were based, at least in part, on GDP measures on the pre-revision basis.

NA=Not Available.

previously assumed in the second half of the year.

Beyond 1996, the assumptions are similar to those of the 1997 budget. Real GDP would grow by 2.3 percent. The Administration expects unemployment to average 5.7 percent

over the forecast horizon, just as the budget assumed. Inflation (as measured by the CPI and the GDP chain weighted price index) remains at about 2.75 percent per year, virtually identical to the budget assumptions. The Administration assumes that short-term interest rates will fall along the path that

the budget assumed; the 10-year Treasury bond rate would fall to 5.0 percent by 1999— one year later than in the budget's assumptions.

RECEIPTS

Due to stronger economic performance, the new estimates of receipts for 1996 and 1997 exceed those in the budget by \$26.6 billion and \$9.6 billion, respectively. The Administration has revised the estimates for subsequent years upward by \$8.3 billion to \$13.8 billion in each year. These changes are the net effects of revised economic projections, technical reestimates, and policy changes, including the proposed HOPE scholarship plan.

The new estimates include a \$27.0 billion increase in 1996 receipts tied to technical factors. The Administration believes that most of this increase comes from higher-than-anticipated collections of non-withheld individual income taxes. The Treasury Department, however, does not yet have the requisite data to explain fully these higher collections or predict precisely whether they will continue. Most of the increase comes from higher-than-anticipated net final payments of 1995 liability. The Administration believes that the rest represents higher-than-anticipated estimated payments of 1996 liability, which the Administration projects will generate higher receipts throughout the forecast period. Revised economic projections reduce receipts by \$1.2 billion in 1996, \$4.2 billion in 1997, and \$1.1 billion in 1998, but raise them in each subsequent year.

The Administration estimates that policy changes, which reflect enacted legislation since March and changes in the President's proposals, will raise receipts in 1996 and 1997 by \$0.8 billion and \$5.1 billion, respectively, and will have a minor effect in subsequent years. The major policy change since March

is the President's proposed HOPE scholarship plan, which would make 14 years of education—at least 2 years of college—the standard for all Americans.

The plan calls for a \$1,500 per student refundable tax credit (\$750 for part-time students) for tuition and fees for the first year of college. The credit, which would be provided to both degree and non-degree students, would be available for the second year if the student maintained at least a B average in the first year. In his budget, the President also proposed a tax deduction for postsecondary school education and training expenses for taxpayers and their spouses and dependents. Individuals eligible for both the credit and the deduction could choose either, but they could not benefit from both at the same time. Both would be phased out for taxpayers filing a joint return with adjusted gross income (AGI) from \$80,000 to \$100,000. For taxpayers filing a head-of-household or single return, both would be phased out for those with AGI from \$50,000 to \$70,000.

To finance the credit, the President proposes to raise the airport and airway departure tax to \$16 per passenger when Congress reinstates the tax, cut allocations to foreign source income under the sales source rules by 50 percent, and auction parts of the electromagnetic spectrum that had previously been allocated for digital audio radio services (DARS).¹ The deduction is fully financed within his balanced budget program.

¹The proposal to auction spectrum affects outlays, rather than receipts.

Table 3. CHANGE IN RECEIPTS
(In billions of dollars)

	1996	1997	1998	1999	2000	2001	2002
March estimate	1,426.8	1,495.2	1,577.9	1,652.5	1,733.8	1,819.8	1,912.2
Revised economic assumptions	-1.2	-4.2	-1.1	1.3	6.2	5.9	5.4
Technical reestimates ¹	27.0	8.6	9.5	7.1	7.4	8.1	7.9
Policy change	0.8	5.1	-0.1	0.2	0.3	-0.2	-0.9
Total change	26.6	9.6	8.3	8.5	13.8	13.7	12.5
Mid-Session estimate	1,453.4	1,504.9	1,586.2	1,661.1	1,747.6	1,833.5	1,924.7

¹Data are not available to determine how much of these technical reestimates are actually due to stronger-than-expected economic performance.

SPENDING

Outlays

The new estimate of total 1996 outlays is \$1.570 trillion, \$2.3 billion lower than the budget estimate. The reduction arises largely from revised technical assumptions, offset by delays in enacting Administration proposals; these delays shift savings from 1996 into 1997. The Administration now estimates total outlays for 1997 at \$1.631 trillion, \$4.7 billion lower than the budget estimate, again due to revised technical assumptions and delays in enacting Administration proposals partly offset by increases arising from revised economic assumptions.

Policy changes

Policy changes include the results of 1996 appropriations bills that were passed and signed after the President released his 1997 budget, other enacted legislation, and new Administration initiatives. Due to policy changes, estimated outlays for 1996 are \$10.6 billion higher than in the budget, while estimated outlays for 1997 are \$3.0 billion lower.

Current estimates include final action on 1996 appropriations bills. Congress and the President agreed to reduce funding compared to the President's request and, thus, lowered outlays by \$0.2 billion in 1996, \$0.9 billion in 1997, and smaller amounts in subsequent years. Reductions in deficit estimates since March have also increased the Administration's projected "dividend," increasing allowable additional discretionary outlays in 2001 and 2002. Table 16 (in the summary tables) shows how the dividend is calculated.

The Omnibus Consolidated Rescissions and Appropriations Act also included changes in some mandatory programs, including the sale of the United States Enrichment Corporation. The act delays this sale, which the President proposed in his 1996 budget, until 1997.

Congress also completed action on the Farm Bill and a measure to extend the debt ceiling. The 1996 Farm Bill (enacted on April 4, 1996) raised 1996 outlays by \$2.4

billion compared to the President's budget, which had assumed an extension of the 1990 Farm Bill authorities.¹ For producers of certain major crops, the Farm Bill provides a fixed amount of income-support payments that, unlike previous farm bills, does not vary with fluctuations in market prices. In 1996, these fixed payments will total an estimated \$5.6 billion, well above the amount of income-support payments in the budget. The Farm Bill also increased direct spending for conservation programs by over \$0.2 billion a year through 2002.

The debt ceiling extension included changes in the social security earnings test, which raise social security outlays. The increase was offset by cuts in supplemental security income and disability insurance arising from additional continuing disability reviews, and from an end to eligibility for benefits for disabilities resulting from drug addiction and alcoholism. The budget had assumed an end to such eligibility as part of the President's welfare reform proposal.

Delays in enacting Administration initiatives, particularly for Federal Housing Administration and deposit insurance reforms, have increased 1996 outlays by \$6.3 billion and reduced 1997 outlays by \$4.8 billion.

In addition, this report takes account of the President's proposal to auction spectrum that was previously allocated for digital audio radio services. The President proposed the sale to help offset the cost of his HOPE scholarship tax proposal. The Administration also revised its proposal for agency contributions for employee retirement. The revised proposal, which calls for lower contributions from agencies than the budget proposal, increases mandatory outlays by \$6.3 billion

¹The President signed the Farm Bill after he released his 1997 budget. For pay-as-you-go scoring under the Budget Enforcement Act, the Administration used the President's budget baseline for crop years 1997 and the out-years. For the 1996 crop year (which spans 1996 and 1997) the Administration scored the Farm Bill against the permanent law baseline for commodity programs because permanent law was in effect at the time that the President signed the Farm Bill.

Table 4. CHANGE IN OUTLAYS
(In billions of dollars)

	1996	1997	1998	1999	2000	2001	2002
March estimate	1,572.4	1,635.3	1,675.9	1,716.9	1,761.4	1,811.5	1,868.3
Revisions due to:							
Policy changes:							
Discretionary appropriations	-0.2	-0.9	-0.3	-0.2	-0.2	2.8	6.0
Sale of USEC	1.6	-1.7					
Farm Bill	2.4	3.8	1.8	1.6	1.7	1.6	1.9
Social security benefits	0.1	0.3	0.4	0.5	0.6	1.5	2.3
Federal housing administration (FHA) re-							
form delay	1.4	-0.9					
Deposit insurance reform delay	4.9	-3.9	*	*	*	*	*
Spectrum auction							-2.1
Agency contributions to employee retire-							
ment				0.1	1.1	2.2	3.0
Other	0.2	0.1	-0.1	-0.3	-0.5	-0.6	-0.7
Debt service	0.1	0.3	0.1	0.2	0.3	0.5	1.0
Subtotal, policy changes	10.6	-3.0	1.9	1.8	3.1	8.0	11.4
Economic assumptions:							
Program spending	-0.2	0.9	0.4	—*	-0.2	-0.3	-0.3
Net interest:							
Interest rates	0.4	3.3	4.1	3.5	2.7	2.1	1.3
Debt service	*	0.3	0.6	0.8	0.8	0.6	0.5
Subtotal, economic assumptions	0.1	4.5	5.1	4.3	3.4	2.4	1.5
Technical reestimates:							
FHA	-1.6	-1.4	-0.1	*	1.1	-0.1	*
Deposit insurance	-1.9	-0.4	0.4	-0.1	0.3	-0.6	—*
Medicaid	-2.1	-2.6	-3.2	-3.9	-4.4	-4.9	-5.4
Medicare	*	1.0	0.6	0.7	0.7	0.7	0.6
Food stamps and family support payments	-0.9	-1.0	-1.4	-1.8	-1.8	-1.9	-2.0
Social security	-0.7	0.2	-0.4	-0.5	-0.6	-1.1	-1.4
FCC spectrum auction	-5.8	-0.7	1.8	0.7	-1.6	-2.7	-4.2
Net interest ¹	-0.1	-2.1	-2.6	-3.6	-4.1	-5.0	-6.1
Other	0.1	0.6	2.4	1.5	1.6	1.2	1.0
Subtotal, technical reestimates	-13.0	-6.3	-2.6	-7.1	-8.9	-14.2	-17.4
Total, changes	-2.3	-4.7	4.5	-1.0	-2.4	-3.8	-4.5
Mid-Session estimate	1,570.1	1,630.6	1,680.4	1,716.0	1,758.9	1,807.7	1,863.8
MEMORANDUM:							
Discretionary budget authority:							
March estimate	499.8	501.8	507.0	511.1	516.1	546.1	570.0
Revisions	-2.8	-0.3	-0.6	-0.6	-0.6	4.4	5.6
Mid-Session estimate	497.1	501.5	506.4	510.5	515.5	550.4	575.6

* \$50 million or less.

¹ Includes debt service.

for the years 1997 through 2002. (This report does not include the President's initiative to help States and localities rebuild their schools, which he announced as OMB was completing the technical analysis for this report. The initiative, however, is fully financed and will have no effect on the long-term deficit.)

Economic changes

The revisions in economic assumptions discussed earlier in this report raised estimated outlays by \$0.1 billion in 1996, \$4.5 billion in 1997, and a cumulative \$21.2 billion for the years 1997 to 2002. These increases largely result from higher-than-anticipated interest rates.

Technical changes

Technical changes result from non-economic, non-policy conditions that are different than the Administration had once assumed, including changes in estimated caseloads for entitlement programs. For 1996, estimated outlays are \$13.0 billion lower than in the budget for technical reasons, and for 1997 are \$6.3 billion lower. The following changes in outlay projections all arise from technical factors.

Federal Housing Administration (FHA).—Estimated outlays for Federal Housing Administration programs are below the budget estimates by \$1.6 billion and \$1.4 billion in 1996 and 1997, respectively, largely for two reasons: (1) multifamily claims during the first half of 1996 have come in below projections, and (2) the Massachusetts Housing Financing Agency cooperative disposition program has been slower to begin than the Administration had anticipated.

Deposit insurance.—Estimated outlays for 1996 are lower because new estimates of net proceeds from deposit insurance are \$1.9 billion above the budget estimates. A lower estimate of failed bank assets in the Bank Insurance Fund accounts for \$0.9 billion of the change, while faster sales and higher recoveries on assets formerly held by the Resolution Trust Corporation account for another \$0.9 billion. Since litigation is continuing, the new estimates do not reflect any adjustments related to the U.S. Supreme Court decision in *U.S. vs. Winstar Group*.

Medicaid.—The new estimates of Medicaid outlays are lower than the budget estimates by \$2.1 billion in 1996, \$2.6 billion in 1997, and \$5.4 billion in 2002. Spending to date in 1996 and States' projections of near-term spending both indicate the original estimates were overstated.

Medicare.—Estimated outlays for Medicare are \$1.0 billion higher for 1997 than in the budget. The increase represents moderate increases in benefit outlays for physicians, outpatient services, and independent labora-

tories, largely based on 1996 performance to date. Even with this modification to the estimated outlays, the President's budget would extend the life of the Part A trust fund until 2006.

Food stamps and family support payments.—Estimated outlays for food stamps and family support payments are lower than the budget estimates by \$0.9 billion in 1996, \$1.0 billion in 1997, and \$2.0 billion in 2002 -- reflecting reduced projections of average caseloads, based on trends in 1996.

Social security.—The new estimates of Social Security outlays are \$0.7 billion below the budget estimates for 1996, reflecting the latest actual spending. The Administration also reduced its estimates for outlays for 1998 through 2002, reflecting a fall in the number of projected beneficiaries.

Federal Communications Commission (FCC) spectrum auctions.—The new estimates of proceeds from spectrum auctions are higher than the budget estimates because of larger-than-expected revenues from the FCC's most recent spectrum auctions. The estimated gross proceeds are higher than the budget estimates by \$7.0 billion in 1996 and \$1.0 billion in 1997. The Administration has partially offset the gross receipts with subsidies (\$1.2 billion in 1996, \$0.4 billion in 1997) provided to small businesses that purchase spectrum licenses with installment payments. The estimated net receipts from the spectrum auction are higher than the budget estimates by \$5.8 billion and \$0.7 billion in 1996 and 1997, respectively.

Discretionary Budget Authority

Discretionary budget authority for 1996 fell from \$499.8 billion in the budget to \$497.1 billion, reflecting final congressional action on appropriations bills. The increases in budget authority for 2001 and 2002 largely arise from a larger "dividend" available because of cuts in the estimated deficit in the year 2000.

CURRENT STATUS OF ENFORCEMENT PROCEDURES

The Budget Enforcement Act of 1990 (BEA) contains procedures designed to enforce the deficit reduction contained in the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990). The BEA divides the budget into two categories: 1) discretionary programs, and 2) direct spending (also called mandatory spending) and receipts. For 1991 through 1995, the BEA limits or "caps" discretionary spending and establishes a "pay-as-you-go" requirement that legislation changing mandatory spending and receipts must, in total, not increase the deficit. The Omnibus Budget Reconciliation Act of 1993 (OBRA 1993) extended these provisions through 1998.

This section discusses the status of the discretionary limits and enacted legislation subject to pay-as-you-go. It also discusses the status of the deficit reduction fund, established by Executive Order in 1993. OBRA 1990 requires OMB, in scoring pay-as-you-go legislation and appropriations action for the rest of this session of Congress, to use the economic and technical assumptions underlying the President's budget submission. OMB may not take into account the economic and technical changes discussed elsewhere in this report.

Discretionary spending

Generally, discretionary programs are those whose program levels are established annually through the appropriations process. The scorekeeping guidelines accompanying the BEA identify accounts with discretionary resources. The BEA, as amended by OBRA 1993, limits budget authority and outlays available for discretionary programs each year through 1998. OMB monitors compliance with the discretionary limits throughout the fiscal year. Appropriations that would cause either the budget authority or outlay limits to be exceeded would trigger a sequester to eliminate any such breach. The BEA permits certain adjustments to the discretionary limits, some of which are discussed below.

Since the President submitted the budget in March, Congress has enacted emergency supplemental appropriations requested for Department of Defense operations associated with the NATO-led Bosnia Peace Implementation Force (IFOR), for Operation Deny Flight, and for civilian implementation of the Dayton Peace accords. Congress also enacted emergency supplemental appropriations to finance F-16 aircraft for Jordan and to help assist Israel's counter-terrorism initiatives. Further, the President has authorized the release of additional emergency appropriations that were previously enacted, including those for the Department of Health and Human Services to support needs arising from the cold weather during the winter, for emergency firefighting requirements, and for FEMA disaster assistance for the U.S. Virgin Islands.

As required by law, the discretionary spending limits will be adjusted for these emergency appropriations. Table 5 shows the current status of the discretionary spending limits.

Pay-as-you-go legislation

Under the BEA, pay-as-you-go enforcement covers all direct spending and receipts legislation. The BEA defines direct spending as budget authority provided by law other than appropriations acts, entitlement authority, and the food stamp program. The following are exempt from pay-as-you-go enforcement: Social Security, the Postal Service, legislation specifically designated as an emergency requirement, and legislation fully funding the Government's commitment to protect insured deposits.

Current law requires that total direct spending and receipts legislation not increase the deficit in any year through 1998. If it does, and if it is not fully offset by other legislative savings, the increase must be offset by sequestration of direct spending programs. Net savings enacted for one fiscal year can be used to offset net increases in the subsequent year.

Table 5. DISCRETIONARY SPENDING LIMITS
(In millions of dollars)

		1994	1995	1996	1997	1998
General Purpose Discretionary						
Total General Purpose Discretionary Spending Limits, March 19, 1996 Preview Report	BA	525,146	508,546	520,730	525,306	528,857
	OL	547,559	547,930	549,289	545,254	543,750
Adjustments:						
Emergency Supplemental Appropriations (P.L. 104-122)	BA			198		
	OL			79	119	*
Emergency Supplemental Appropriations (P.L. 104-134)	BA			656		
	OL			681	15	-116
Contingent Emergency Appropriations Released	BA			489		
	OL			256	138	87
Social Security Administration: Continuing Disability Reviews (CDRs) enacted in P.L. 104-134	BA			15		
	OL			56		
Subtotal, Adjustments	BA			1,358		
	OL			1,072	272	-29
Estimated August Update Report General Purpose Discretionary Spending Limits	BA	525,146	508,546	522,087	525,306	528,857
	OL	547,559	547,930	550,361	545,525	543,721
Anticipated Further Adjustments for the Final Sequestration Report:						
Social Security Administration: Continuing Disability Reviews (CDRs)	BA				25	
	OL				160	
Estimated Discretionary Spending Limits for the Final Sequestration Report	BA	525,146	508,546	522,087	525,331	528,857
	OL	547,559	547,930	550,361	545,685	543,721
MEMORANDUM:						
Anticipated Adjustments for the FY 1996 Budget Preview Report Resulting From FY 1996 Appropriations Bills Enacted Subsequent to Transmittal of the FY 1997 Budget:						
Changes in concepts and definitions:						
Statutory and other shifts between categories	BA				(-197)	
	OL				(-287)	-146
Violent Crime Reduction Trust Fund						
Total Violent Crime Reduction Trust Fund Discretionary Spending Limits, March 19, 1996 Preview Report	BA		2,423	4,287	5,000	5,500
	OL		703	2,334	3,936	4,904
Estimated Discretionary Spending Limits for the Final Sequestration Report	BA		2,423	4,287	5,000	5,500
	OL		703	2,334	3,936	4,904
Combined General Purpose and Violent Crime Reduction Trust Fund Spending Limits for the Final Sequestration Report	BA	525,146	510,969	526,374	530,331	534,357
	OL	547,559	548,633	552,695	549,521	548,625

* Less than \$500 thousand.

The BEA requires that, within five days after enactment of direct spending and receipts legislation, OMB submit a report to Congress estimating the resulting change in outlays or receipts for each fiscal year through 1998. The estimates must use the economic and technical assumptions underlying the most recent President's budget. These OMB estimates are used to determine whether the pay-as-you-go requirements have been met. The nature of the pay-as-you-go process requires that OMB maintain a "scorecard" that shows, beginning with the 102nd Congress, the deficit impact of such legislation.

Table 6 presents OMB's estimates of the deficit impact of pay-as-you-go legislation enacted as of July 8, 1996. At the end of this session of Congress, OMB will determine the need for sequestration. In total, pay-as-you-go legislation already enacted has reduced the deficit by \$3.4 billion for fiscal years 1996 and 1997 combined. Subsequent legislation that increases the combined 1996 and 1997 deficits by a greater amount would cause a sequester. Under current estimates, no sequester is projected for 1997.

Table 6. DEFICIT IMPACT OF PAY-AS-YOU-GO LEGISLATION ENACTED AS OF JULY 8, 1998—Continued
(In millions of dollars)

Report Number	Act Number	Act Title	Change in the fiscal year baseline deficit										
			1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	1993-2002
311	P.L. 104-117	Tax Relief for Troops in "Operation Joint Endeavor"											
	H.R. 2778	OMB estimate				38	45				-31	-31	21
312	P.L. 104-121	Contract with America Advancement Act											
	H.R. 3186	OMB estimate				38	45				-35	-35	13
313	P.L. 104-123	Greens Creek Land Exchange											
	H.R. 1366	OMB estimate				-26	-212	-379	-440	-531	-543	-598	-2,729
314	P.L. 104-127	Federal Agricultural Improvement and Reform Act of 1995											
	H.R. 2854	OMB estimate				-6	-341	-491	-584	-647	-678	-783	-3,510
315	P.L. 104-128	Federal Tax Taster's Repeal Act of 1996											
	H.R. 2869	OMB estimate				-0	-1	-1	-1	-1	-1	-1	-8
316	P.L. 104-132	Antiterrorism and Effective Death Penalty Act											
	S. 755	OMB estimate				-1,941	-3,746	2,202	1,953	2,052	1,780	2,123	4,422
NA	P.L. 104-134	Omnibus Consolidated Rescissions and Appropriations Act											
	H.R. 3019	OMB estimate				3,176	1,476	-491	-960	-1,066	-1,942	-2,117	-2,145
317	P.L. 104-142	Mercury-Containing and Rechargeable Battery Management Act											
	H.R. 2024	OMB estimate											
318	P.L. 104-143	Trinity River Fish and Wildlife Management Reauthorization Act											
	H.R. 2243	OMB estimate											
319	P.L. 104-148	Massachusetts National Wildlife Refuge Property Acquisition											
	H.R. 1856	OMB estimate											
320	P.L. 104-153	Anticounterfeiting Consumer Protection Act											
	S. 1136	OMB estimate											
321	P.L. 104-155	Church Arson Prevention Act											
	H.R. 3525	OMB estimate											
Subtotal, enacted this session:													
OMB estimate						-1,620	-3,306	2,678	1,921	1,907	1,204	1,492	4,276
CBO estimate						3,598	1,842	-480	-1,538	-1,748	-2,667	-2,947	-3,941

Table 6. DEFICIT IMPACT OF PAY-AS-YOU-GO LEGISLATION ENACTED AS OF JULY 8, 1996—Continued
(In millions of dollars)

Report Number	Act Number	Act Title	Change in the fiscal year baseline deficit										
			1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	1993-2002
		Subtotal, enacted since OBRA 93:											
		OMB estimate	-12	432	-1,019	-902	-2,527	4,193	2,068	1,649	1,204	1,492	6,576
		CBO estimate	-12	678	-302	4,825	2,329	288	537	-1,890	-2,687	-3,948	838
		Total legislation enacted:											
		OMB estimate	-2,896	-480	-1,822	-902	-2,527	4,193	2,068	1,649	1,204	1,492	2,177
		CBO estimate	-2,292	714	30	4,825	2,329	288	537	-1,890	-2,687	-3,948	-1,074

Note: Negative numbers represent a decrease in the deficit.

Deficit reduction fund

On August 4, 1993, the President issued Executive Order 12858 to guarantee that the net deficit reduction OBRA 1993 achieves is dedicated exclusively to reducing the deficit. The Order established the deficit reduction fund and requires that amounts equal to the spending reductions and revenue increases resulting from OBRA 1993 be credited to the fund. Table 7 presents the amounts

that will be credited to the fund each year from 1994 through 1998.

Each year, amounts are credited to the fund on a daily basis to meet the deficit reduction achieved by OBRA 1993. The Order requires that the fund balances be used exclusively to redeem maturing debt obligations of the Treasury held by foreign governments. Table 8 shows the status of the fund on June 30, 1996.

Table 7. REVENUE INCREASES AND SPENDING REDUCTIONS CREDITED TO THE DEFICIT REDUCTION FUND
(In millions of dollars)

Year	Annual Amount	Cumulative Amount
1994	46,752	46,752
1995	82,713	129,465
1996	100,554	230,019
1997	128,898	358,917
1998	145,846	504,763

Table 8. STATUS OF THE DEFICIT REDUCTION FUND
(In millions of dollars)

Description	Amount
Beginning balance	0
Deposits made between October 1, 1993, and June 30, 1996	204,380
Redemptions of Treasury debt held by foreign governments between October 1, 1993, and June 30, 1996	203,979
Fund balance as of June 30, 1996	401

SUMMARY TABLES

Table 9. OUTLAYS FOR MANDATORY PROGRAMS UNDER CURRENT LAW
(In billions of dollars)

	Actual 1995	Estimate						
		1996	1997	1998	1999	2000	2001	2002
Human resources programs:								
Education, training, employment and social services	15.7	13.5	13.3	12.6	13.1	13.8	14.5	15.3
Health	99.4	97.3	104.3	113.3	122.5	133.7	146.1	159.6
Medicare	156.9	174.7	194.1	212.6	232.3	253.4	276.5	301.1
Income security	181.3	189.9	201.6	209.6	217.8	229.4	233.9	246.6
Social security	333.3	347.6	366.1	383.4	401.3	420.8	441.5	463.6
Veterans' benefits and services	19.9	19.4	21.2	21.6	22.4	24.3	21.9	23.8
Subtotal, human resources program	800.4	842.3	900.6	953.2	1,009.4	1,075.4	1,134.4	1,209.9
Other mandatory programs:								
National defense	-1.5	-0.7	-0.6	-0.6	-0.6	-0.5	-0.5	-0.5
International affairs	-3.7	-5.5	-4.8	-4.8	-4.5	-4.5	-4.4	-4.0
Energy	-1.8	-3.0	-2.9	-3.0	-2.8	-3.0	-2.8	-3.0
Agriculture	5.8	5.8	9.3	9.1	8.6	8.2	7.4	7.4
Deposit insurance	-17.9	-10.4	-5.4	-1.8	-0.1	-1.8	-2.0	-1.6
General government	1.4	1.8	1.8	1.3	1.2	1.2	1.2	1.3
Undistributed offsetting receipts	-44.5	-47.9	-44.1	-42.0	-39.6	-41.4	-43.1	-45.5
Other functions	3.0	6.0	6.8	5.9	4.5	5.7	4.6	4.2
Subtotal, other mandatory programs	-59.1	-54.0	-40.0	-35.8	-33.2	-36.1	-39.5	-41.7
Total outlays for mandatory programs under current law	741.3	788.3	860.6	917.4	976.2	1,039.3	1,094.9	1,168.2

**Table 10. ESTIMATED SPENDING FROM
END OF 1997 BALANCES OF BUDGET AU-
THORITY: DISCRETIONARY PROGRAMS**
(In billions of dollars)

	Total
Total balances, end of 1997	568.4
Spending from 1997 balances in:	
1998	224.8
1999	103.8
2000	66.9
2001	47.4
Expiring balances, 1998 through 2001	
Unexpended balances at the end of 2001	125.6

Table 11. BUDGET BY CATEGORY OF OUTLAYS AND RECEIPTS
(In billions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	1997- 2002
Outlays:									
Discretionary:									
Defense	273.6	266.8	259.7	255.7	257.2	263.6	266.7	276.3	
Nondefense	272.1	273.7	281.0	283.7	278.7	273.5	284.4	302.6	
Subtotal, discretionary	545.7	540.4	540.7	539.4	535.9	537.1	551.1	578.8	
Mandatory:									
Social security	333.3	347.6	366.1	383.4	401.3	420.8	441.5	463.6	
Medicare	156.9	175.0	188.4	202.8	216.3	228.9	246.1	264.4	
Medicaid	89.1	93.1	103.1	108.0	112.7	118.1	123.7	127.7	
Other	162.1	172.5	192.0	208.5	214.3	224.6	220.0	209.3	
Subtotal, mandatory	741.3	788.2	849.6	902.7	944.6	992.3	1,031.3	1,065.0	
Net interest	232.2	241.5	240.3	238.3	235.5	229.6	225.4	220.0	
Total, outlays	1,519.1	1,570.1	1,630.6	1,680.4	1,716.0	1,758.9	1,807.7	1,863.8	
Receipts	1,355.2	1,453.4	1,504.9	1,586.2	1,661.1	1,747.6	1,833.5	1,924.7	
Surplus/deficit (-)	-163.9	-116.8	-125.7	-94.1	-54.9	-11.3	25.8	60.9	
(On-budget)	(-226.3)	(-182.7)	(-195.7)	(-173.6)	(-144.6)	(-109.0)	(-78.7)	(-51.4)	
(Off-budget)	(62.4)	(65.9)	(70.0)	(79.5)	(89.7)	(97.7)	(104.5)	(112.3)	
MEMORANDUM:									
Proposed policy savings: ¹									
Savings:									
Discretionary		-0.5	-8.9	-9.1	-28.0	-42.6	-44.8	-33.7	-167.0
Mandatory:									
Medicare ²		0.3	-5.8	-10.0	-16.1	-24.7	-30.6	-36.9	-124.1
Medicaid ²			3.3	-0.6	-5.6	-11.3	-17.6	-27.0	-58.7
Welfare reform			-4.3	-5.8	-5.5	-5.8	-5.6	-6.6	-33.7
EITC ³			-*	-0.9	-1.0	-1.0	-1.0	-0.9	-5.8
Other mandatory		-0.4	-3.3	2.2	-4.5	-6.0	-11.3	-34.1	-56.9
Total, mandatory		-0.1	-11.0	-15.2	-32.7	-48.7	-66.0	-105.6	-279.3
Tax cuts		0.5	13.2	15.1	18.3	22.2	23.9	25.4	118.1
Corporate loopholes and other		0.3	-6.4	-8.2	-10.3	-11.1	-11.6	-13.3	-60.8
Total, policy proposals		0.1	-13.1	-17.5	-52.6	-80.2	-98.5	-127.2	-389.1
Debt service		0.1	-0.5	-2.1	-4.2	-8.1	-13.0	-19.8	-47.8
Total savings		0.2	-13.6	-19.5	-56.8	-88.3	-111.5	-147.0	-436.8

* \$50 million or less.

¹ Measured against baseline that assumes cap level for discretionary programs, current law for mandatory programs and receipts, and extension of expired trust fund excise taxes.

² Savings have not been reestimated versus the revised Mid-Session Review baseline.

³ Includes EITC receipts.

Table 12. MANDATORY OUTLAY PROPOSALS
(In millions of dollars)

Mandatory Proposals	1996	1997	1998	1999	2000	2001	2002	1997- 2002
Medicare savings¹	306	-5,800	-9,969	-16,115	-24,866	-30,645	-36,946	-124,141
Impact of Medicare proposals on premiums for otherwise uninsured (HI)	123	178	226	286	332	380	1,525	
Medicaid savings¹	3,292	-646	-5,563	-11,264	-17,589	-26,961	-58,731	
Effects of VA and Medicare proposals on Medicaid Health insurance for the temporarily unemployed	-15	-25	336	437	598	763	2,094	
Health insurance reform: grants for health insur- ance cooperatives	1,519	2,158	2,345	2,550				8,572
Welfare reform²	25	25	25	25	25	25	125	
Modify earned income tax credit eligibility rules: Outlays	-14	-596	-606	-602	-598	-580	-568	-3,550
Receipts	-2	-278	-419	-409	-397	-388	-380	-2,271
Earned income tax credit, subtotal	-16	-874	-1,025	-1,011	-995	-968	-948	-5,821
Other mandatory:								
Student loans: reduce payments to lenders, guaranty agencies, secondary markets and postsecondary institutions, and reduce Fed- eral administrative funding	-252	-568	-665	-607	-571	-582	-595	-3,588
Civilian retirement:								
Extend civilian retirement COLA delay	-318	-278	-297	-305	-313	-322	-1,833	
Modify congressional retirement benefits	-1	-1	-2	-2	-2	-2	-8	
Subtotal, civilian retirement	-318	-279	-298	-307	-315	-324	-1,841	
Pension reforms:								
Conform railroad retirement benefits with so- cial security	30	46	47	47	47	48	265	
Increase guaranty level for multiemployer plans (Non-paygo)				2	7	12	34	
Subtotal, pension reforms	30	46	49	54	59	61	299	
Veterans:								
Paygo proposals:								
Compensation and Pensions:								
Extend rounding down for compensation cost-of-living adjustment (COLA)	-20	-43	-62	-82	-97	-120	-424	
Restrict collection of compensation for non-malpractice injuries (Gardner deci- sion)	-44	-91	-140	-192	-246	-303	-1,016	
Extend income verification of pension and medical care beneficiaries				-9	-23	-36	-51	-119
Limit pension benefits to Medicaid-eli- gible beneficiaries in nursing homes				-516	-528	-543	-559	-2,146
Subtotal, Compensation and Pensions	-64	-134	-727	-825	-922	-1,033	-3,705	
Housing:								
Enable VA to use Federal salary and tax refund offset to collect on deficiency balances for defaulted loans guaran- teed prior to 1990	-90							
Extend three provisions that maintain higher loan fees and reduce resale losses on foreclosed properties				-189	-183	-187	-189	-748
Extend medical care copayments, per diems, and third party insurance recover- ies				-319	-338	-359	-381	-1,397
Restrict vocational rehabilitation benefits to only those veterans who have service- connected disabilities that are substan- tially linked to their employment handi- caps (Davenport decision)	-20	-39	-56	-56	-57	-57	-285	
Subtotal, paygo proposals	-90	-84	-173	-1,291	-1,402	-1,525	-1,660	-6,135

Table 12. MANDATORY OUTLAY PROPOSALS—Continued
(In millions of dollars)

Mandatory Proposals	1996	1997	1998	1999	2000	2001	2002	1997–2002
Non-paygo proposal: Retain portion of excess medical insurance collections	-11	-45	-48	-51	-55	-59	-62	-320
Subtotal, Veterans proposals	-101	-129	-221	-1,342	-1,457	-1,584	-1,722	-6,455
Auction spectrum			-1,400	-2,600	-4,400	-5,200	-24,700	-38,300
Auction "888" phone numbers		-200	-300	-200				-700
New/extend user fees:								
Extend vessel tonnage fees				-62	-62	-62	-62	-248
Extend hardrock mining fees		-1	-2	-34	-36	-37	-38	-148
Impose Hetch Hetchy Dam rental payments		-1	-1	-1	-1	-1	-1	-6
Extend Deepwater royalty relief						-20	-20	-40
Extend surcharge on patent fees				-119	-119	-119	-119	-476
Extend Nuclear Regulatory Commission fees				-310	-310	-310	-310	-1,240
Authorize FEMA fees		-12	-12	-12	-12	-12	-12	-72
Collect fisheries management fees		-3						-3
Expand authority for National Park Service fees				-13	-10	-14	-9	-46
Extend rail safety fees		-47	-49	-51	-53	-55	-57	-312
Extend pesticide re-registration fee		-1	-1		1	1		
Restore the Everglades (sugar assessment—net)		-18	-4					-22
Agriculture marketing order fees		-10	-11	-11	-11	-11	-11	-65
Spending from SEC fees (included under revenues)		224	266	277	288	299	311	1,665
Subtotal, new/extended user fees		131	186	-336	-325	-341	-328	-1,013
Housing/banking reforms:								
FHA portfolio reengineering		-905						-905
Alter FHA single-family assignment and portfolio reengineering: Non-paygo		217	168	154	97	-1,230	-1,035	-1,629
Limit Section 8 annual rent increases	-60	-236	-342	-388	-408	-411	-419	-2,204
Savings Association Insurance Fund (SAIF)/Bank Insurance Fund (BIF):								
Paygo		17	17					34
Non-paygo		-3,253	316	-342	40	11	-14	-3,242
Subtotal, SAIF/BIF		-3,236	333	-342	40	11	-14	-3,208
Reimburse the Federal reserve bank (included under revenues)		122	125	129	132	136	140	784
Subtotal, housing/banking reforms	-60	-4,038	284	-447	-139	-1,494	-1,328	-7,162
Strategic petroleum and Naval petroleum reserve:								
Lease excess Strategic petroleum reserve			-20	-40	-80	-100	-120	-360
Sell Weeks Island Strategic petroleum reserve							-1,534	-1,534
Naval Petroleum Reserve			2,215	-370	-340	-310	-1,980	-785
Subtotal, strategic petroleum and Naval petroleum reserve			2,195	-410	-420	-410	-3,634	-2,679
Sell/privatize government assets:								
Privatize the College Construction Loan Insurance Association through the sale of Federally owned stock (non-paygo)		-7						-7
Sale of Governor's Island							-500	-500
Sales from National Defense Stockpile	-21	-79	-79	-79	-80	-155	-156	-628
Terminate helium refinery and sell helium stockpile		-3	-8	-10	-10	-10	-9	-50
Sale of Union Station air rights							-40	-40
Subtotal, sell/privatize government assets	-21	-89	-87	-89	-90	-165	-705	-1,225
Debt management/collection and other specified proposal:								
Repeal the mandatory appropriation under the Smith-Hughes Act of 1918		-1	-6	-7	-7	-7	-7	-35

Table 12. MANDATORY OUTLAY PROPOSALS—Continued
(In millions of dollars)

Mandatory Proposals	1996	1997	1998	1999	2000	2001	2002	1997–2002
Debt management savings: Non-paygo			-244	-851	-1,523	-2,224	-2,130	-6,972
Refinance Bonneville Power Administration		-14	-14	-13	-12	-11	-25	-89
Prepayments (construction charges, Central Utah)		-75	-145	2	2	-37	2	-251
New funding for medical, cash, and job training assistance for Puerto Rico (in lieu of Sec. 936)		56	175	308	455	616	718	2,328
Repeal Workers' Compensation Reimbursement to the United States Postal Service:								
Paygo	-37	-36	-34	-32	-31	-29	-28	-190
Non-paygo	37	36	9					45
Increase boat safety grants	9	26	38	51	51	51	51	268
Increase agency contributions to CSRS (non-paygo)				-961	-964	-968	-965	-3,858
Other non-paygo proposals (mainly pay raise)		227	320	365	405	435	426	2,178
Subtotal, debt management/collection and other specified proposal	9	219	99	-1,138	-1,624	-2,174	-1,958	-6,576
Subtotal, other mandatory	-425	-4,962	-142	-7,418	-9,279	-12,206	-35,233	-69,240
Tax cut ⁴	470	13,182	15,063	18,326	22,250	23,875	25,362	118,068
Corporate loopholes and other: ⁴								
Paygo	265	-6,467	-8,321	-10,383	-11,256	-11,697	-13,472	-61,596
Non-Paygo		98	129	131	133	135	137	763
Subtotal, corporate loopholes and other	265	-6,369	-8,192	-10,252	-11,123	-11,562	-13,335	-60,833
Total, savings	600	-4,191	-8,325	-24,647	-37,610	-53,727	-93,548	-222,048
Memorandum:								
Subtotal other mandatory (from above)	-425	-4,962	-142	-7,418	-9,279	-12,206	-35,233	-69,240
Impact of Medicare proposals on premiums for otherwise uninsured (HI)		123	178	226	286	332	380	1,525
Effects of VA and Medicare proposals on Medicaid		-15	-25	336	437	598	763	2,094
Health insurance for the temporarily unemployed		1,519	2,158	2,345	2,550			8,572
Health insurance reform: grants for health insurance cooperatives		25	25	25	25	25		125
Total, Other mandatory including health provisions	-425	-3,310	2,194	-4,486	-5,961	-11,251	-34,090	-56,924
Outlays:								
Mandatory paygo proposals	-159	-8,136	-15,313	-30,628	-46,347	-61,629	-101,428	-263,481
Mandatory non-paygo proposals	26	-2,825	521	-1,684	-1,993	-4,023	-3,767	-13,771
Discretionary included above ²		235	15					250
Total outlays	-133	-10,726	-14,777	-32,312	-48,340	-65,652	-105,195	-277,002
Receipts:								
Paygo	733	6,437	6,323	7,534	10,597	11,790	11,510	54,191
Non-Paygo		98	129	131	133	135	137	763
Total receipts	733	6,535	6,452	7,665	10,730	11,925	11,647	54,954

¹ Savings have not been reestimated versus the revised Mid-Session Review baseline.

² Includes savings to cover discretionary cap increases that fund administrative costs of implementing welfare reform provisions. The discretionary amounts shown in the memorandum are included in the welfare reform totals.

³ Also affects Bureau of Land Management and Forest Service.

⁴ For more detailed estimates on revenue proposals, see Table 13.

Table 13. EFFECT OF PROPOSALS ON RECEIPTS
(In millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	1997-2002
Provide tax relief:								
Middle Class Bill of Rights:								
Provide tax credit for dependent children	-368	-10,489	-7,006	-8,870	-10,741	-10,687	-10,572	-58,365
Expand Individual Retirement Accounts (IRAs)	-1,458	-485	-775	-1,096	-1,604	-2,542	-7,960	
Provide tax incentive for education	-392	-6,349	-7,084	-8,710	-9,718	-10,639	-42,892	
Subtotal, Middle Class Bill of Rights	-368	-12,339	-13,840	-16,729	-20,547	-22,009	-23,753	-109,217
Increase expensing for small business	-517	-455	-574	-624	-838	-659	-3,667	
Provide estate tax relief for small businesses			-186	-191	-195	-200	-205	-977
Simplify pension plan rules ¹	15	-65	-170	-345	-398	-374	-348	-1,700
Provide tax incentives for distressed areas	-117	-261	-412	-487	-486	-454	-397	-2,497
Subtotal, provide tax relief	-470	-13,182	-15,063	-18,326	-22,250	-23,875	-25,362	-118,058
Eliminate corporate tax subsidies and unwarranted benefits, close loopholes, and adopt other revenue measures:								
Disallow interest deduction for corporate-owned life insurance policy loans		659	513	590	660	729	818	3,969
Deny interest deduction on certain debt instruments		78	121	184	248	318	392	1,341
Defer original issue discount deduction on convertible debt		13	20	28	37	47	58	203
Limit dividends-received deduction (DRD):								
Reduce DRD to 50%		238	340	340	343	347	350	1,958
Modify holding period for DRD		19	24	25	27	28	29	152
Interaction		-4	-8	-8	-9	-9	-9	-47
Extend pro rata disallowance of tax-exempt interest expense to all corporations		44	56	73	85	96	107	461
Require average-cost basis for stocks, securities, etc.		609	706	640	662	687	710	4,014
Require recognition of gain on certain stocks, indebtedness and partnership interests		168	-43	63	65	71	76	400
Change the treatment of gains and losses on extinguishment		4	6	6	6	7	7	36
Require reasonable payment assumptions for interest accruals on certain debt instruments		71	212	266	268	197	89	1,103
Require gain recognition for certain extraordinary dividends		-64	65	72	80	88	97	338
Repeal percentage depletion for non-fuel minerals mined on Federal and formerly Federal lands		54	89	92	94	96	97	522
Modify loss carryback and carryforward rules	-29	45	633	815	675	593	558	3,319
Treat certain preferred stock as "boot"		234	156	163	172	94	41	860
Repeal tax-free conversions of large C corporations to S corporations		1	12	25	35	44	53	170
Require gain recognition in certain distributions of controlled corporation stock		92	67	68	72	76	79	454
Reform treatment of certain stock transfers		126	114	125	134	144	153	796
Reformulate Puerto Rico and possessions tax credit		57	247	499	758	982	1,142	3,685
Expand Subpart F provisions regarding certain income		18	32	37	42	46	48	223
Modify taxation of captive "insurance" companies		25	17	12	7	4	2	67
Reform foreign tax credit		229	843	1,073	946	902	852	4,845
Modify rules relating to foreign oil and gas extraction income		4	50	88	97	102	107	448
Require thrifts to account for bad debts in same manner as banks		87	132	255	314	301	287	1,376
Reform depreciation under the income forecast method		126	61	48	39	30	20	324
Phase out preferential tax deferral for certain large farm corporations required to use accrual accounting	164	121	124	124	124	124	124	741

Table 13. EFFECT OF PROPOSALS ON RECEIPTS—Continued
(In millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	1997-2002
Initiate inventory reform:								
Repeal lower of cost or market method		177	272	280	280	130	29	1,168
Repeal components of cost method		161	169	178	187	196	204	1,095
Modify basis adjustment rules under Section 1033	1	8	11	15	20	25	31	110
Expand requirement that involuntarily converted property be replaced with property acquired from an unrelated party		3	4	6	8	10	12	43
Place further restrictions on like-kind exchanges involving personal property		11	13	19	24	30	36	133
Disallow rollover and one-time exclusion on sale of residence to the extent of previously claimed depreciation		1	5	7	9	12	15	49
Require registration of certain corporate tax shelters			2	3	2	2	2	11
Require reporting of payments to corporations rendering services to Federal agencies		1	7	21	44	76	103	252
Increase penalties for failure to file correct information returns		3	16	20	23	25	26	113
Apply failure-to-pay penalty to substitute returns	2	3	28	28	29	29	30	147
Repeal exemption for withholding on gambling winnings from bingo and keno in excess of \$5,000	1	16	4	1	1	1	1	24
Require tax reporting for payments to attorneys			3	2	2	2	2	11
Repeal advance refunds of diesel fuel tax for diesel cars and light trucks ¹	3	15	15	15	15	15	15	90
Extend oil spill excise tax ¹	26	221	224	227	231	233	234	1,370
Impose excise taxes on kerosene as diesel fuel ¹		11	35	33	31	30	30	170
Permanently extend luxury excise tax on passenger vehicles ¹					196	290	287	773
Extend and modify FUTA provisions:								
Extend FUTA surtax ¹				810	1,199	1,211	1,224	4,444
Accelerate deposit of unemployment insurance taxes							1,301	1,301
Subtotal, eliminate corporate tax subsidies	168	3,685	5,397	7,368	8,282	8,461	9,869	43,062
Other provisions that affect receipts:								
Assess fees for examination of FDIC-insured banks and bank holding companies (receipt effect) ¹		69	72	75	78	82	86	462
Expand fees collected under the securities laws		307	318	330	342	356	369	2,022
Establish IRS continuous levy		402	398	364	269	212	138	1,783
Extend GSP and modify other trade provisions ¹	-578	-548	-536	-550	-573	-305		-2,512
Increase deduction for self-employed health insurance	-7	-100	-117	-232	-371	-507	-541	-1,868
Increase employee contributions to CSRS and FERS		382	516	563	587	611	636	3,295
Deter expatriation tax avoidance	15	160	250	350	440	495	545	2,240
Tighten rules for taxing foreign trusts	110	284	349	345	337	329	313	1,957
Extend corporate environmental tax ²		978	650	683	717	747	770	4,545
Improve compliance by tax-exempt entities through intermediate sanctions and other measures	2	4	4	4	4	4	5	25
Adjust Federal employee pay raise (receipt effect)		-98	-129	-131	-133	-135	-137	-763
Reduce allocations to foreign source income under sales source rules by 50%		392	545	585	625	670	715	3,532

Table 13. EFFECT OF PROPOSALS ON RECEIPTS—Continued
(In millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	1997-2002
Increase international departure tax to \$16 per passenger	25	330	350	369	387	406	427	2,269
Modify method of reimbursing Federal Reserve Banks		122	125	129	132	136	140	784
Subtotal, other	-433	2,684	2,795	2,884	2,841	3,101	3,466	17,771
Subtotal, eliminate corporate tax subsidies and other provisions that affect receipts	-265	6,369	8,192	10,252	11,123	11,562	13,335	60,833
Modify earned income tax credit (EITC)	2	278	419	409	397	388	380	2,271
Total effect of proposals ¹	-733	-6,535	-6,452	-7,665	-10,730	-11,925	-11,647	-54,954
Extend expired trust fund excise taxes:								
Extend superfund trust fund excise taxes ¹	76	658	670	681	692	704	714	4,119
Extend airport and airway trust fund taxes ¹	376	4,673	4,930	5,226	5,535	5,866	6,200	32,430
Extend LUST trust fund taxes ¹	9	130	122	124	127	128	130	761
Total effect of extending expired trust fund excise taxes ¹	461	5,461	5,722	6,031	6,354	6,698	7,044	37,310

¹ Net of income offsets.

² Net of deductibility for income tax purposes.

Table 14. BUDGET SUMMARY UNDER CBO ASSUMPTIONS
(In billions of dollars)

	1997	1998	1999	2000	2001	2002
Outlays:						
Discretionary	541.9	539.9	536.9	537.3	527.9	530.3
Mandatory:						
Social security	365.4	383.4	402.4	422.4	444.1	466.8
Medicare	188.7	204.8	217.5	232.1	248.1	267.0
Medicaid	106.8	113.5	120.6	128.3	135.3	144.8
Other	188.2	214.2	220.8	234.3	234.7	225.8
Subtotal, mandatory	849.1	916.0	961.3	1,017.1	1,062.2	1,104.3
Net interest	241.6	244.1	243.9	241.3	240.8	240.3
Total outlays	1,632.6	1,700.0	1,742.1	1,795.7	1,830.8	1,874.9
Revenues	1,483.3	1,548.6	1,619.2	1,689.8	1,774.0	1,876.2
Deficit/surplus	149.2	151.4	122.9	106.0	56.8	-1.3

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Table 15. BUDGET PROPOSALS UNDER CBO ASSUMPTIONS¹
(Uses CBO April economic and technical assumptions, in billions of dollars)

	1997	1998	1999	2000	2001	2002	1997- 2002
Baseline Deficit ²	159.6	168.4	175.2	183.9	186.2	201.2	1,074.5
Savings:							
Discretionary	-4.6	-6.5	-26.2	-41.8	-68.1	-83.5	-230.8
Mandatory:							
Medicare	-6.2	-9.0	-15.9	-22.4	-28.9	-34.2	-116.5
Medicaid	1.7	-1.9	-5.8	-9.8	-16.2	-21.7	-53.7
Welfare reform	-4.0	-6.2	-7.0	-7.6	-7.6	-8.7	-41.0
EITC ³	-0.6	-0.8	-0.8	-0.8	-0.8	-0.8	-4.6
Other mandatory	-2.8	*	-3.5	-4.8	-8.0	-29.8	-48.8
Total, mandatory	-12.0	-17.9	-32.9	-45.4	-61.4	-95.2	-264.8
Tax cuts	13.1	16.6	19.1	24.4	20.0	5.4	98.7
Corporate loopholes and other	-6.4	-8.4	-10.2	-10.7	-10.9	-13.1	-69.7
Total, policy proposals	-9.9	-16.1	-50.3	-73.5	-120.4	-186.4	-456.5
Debt service	-0.5	-0.9	-2.1	-4.5	-9.0	-16.1	-33.0
Total savings	-10.4	-17.0	-52.3	-78.0	-129.4	-202.5	-489.5
Deficit/surplus	149.2	151.4	122.9	106.0	56.8	-1.3	585.0

* \$50 million or less.

¹ Excludes fiscal dividend and includes an additional savings proposal—reforming outpatient department payments in the Medicare program to correct the so-called “formula-driven overpayment”—to account for technical differences, including behavioral assumptions and other baseline differences, between the Administration and CBO.

² CBO published capped baseline adjusted for mandatory changes enacted in the Omnibus Consolidated Rescissions and Appropriations Act and the extension of expired trust fund excise taxes.

³ Includes EITC receipts.

Table 16. APPLICATION OF THE “FISCAL DIVIDEND” TO THE BUDGET PROPOSALS
(In billions of dollars)

	1997	1998	1999	2000	2001	2002
Deficit or surplus assuming tax cuts expire on December 31, 2000:						
CBO April economics	-149.2	-151.4	-122.9	-106.0	-56.8	1.3
OMB economics	-125.7	-94.1	-54.9	-11.3	60.0	138.7
Difference	23.5	57.3	68.0	94.6	116.8	137.4
Trigger impact on OMB estimates:						
Step 1—Continue tax cut				(20.0)	8.9	22.8
Step 2—Allocated for discretionary spending				(20.0)	12.9	27.1
Step 3:						
Further discretionary allocations			NOT APPLICABLE	(18.2)	11.7	24.7
Reserved for additional tax cuts				(18.2)		
Reserved for deficit reduction				(18.2)		
Debt service					0.8	3.2
Total trigger				(94.6)	34.2	77.8
OMB deficit or surplus	-125.7	-94.1	-54.9	-11.3	25.8	60.9

Table 17. RECEIPTS BY SOURCE
(In billions of dollars)

	1995 actual	March estimates					Mid-Session estimates								
		1996	1997	1998	1999	2000	2001	2002	1996	1997	1998	1999	2000	2001	2002
Individual income taxes	590.2	630.9	645.1	683.4	714.2	748.7	790.0	834.5	653.3	655.0	692.5	724.5	761.9	803.3	847.6
Corporation income taxes	157.0	167.1	185.0	201.7	212.7	225.4	238.7	245.8	170.7	186.4	199.4	207.9	221.2	231.7	240.2
Social insurance taxes and con- tributions	484.5	507.5	535.2	560.9	589.4	618.8	647.0	679.5	508.3	533.5	560.9	591.6	623.0	651.5	684.6
On-budget	(133.4)	(140.1)	(148.2)	(161.6)	(168.8)	(175.8)	(184.8)	(194.6)	(140.6)	(146.1)	(153.7)	(161.9)	(169.8)	(176.9)	(186.0)
Off-budget	(351.1)	(367.4)	(386.0)	(406.3)	(427.8)	(450.0)	(471.2)	(494.6)	(367.7)	(387.4)	(407.2)	(429.5)	(453.2)	(474.6)	(498.6)
Excise taxes	57.5	53.9	59.6	60.4	61.7	62.8	64.2	65.6	56.4	61.1	62.2	63.6	64.7	66.0	67.5
Estate and gift taxes	14.6	15.9	17.1	18.1	19.5	20.9	22.5	24.1	17.0	17.0	18.1	19.4	20.8	22.4	24.0
Certain duties	19.3	19.3	20.5	20.8	20.9	21.9	22.4	24.3	18.3	19.1	19.7	19.5	20.7	21.7	23.1
Miscellaneous receipts	31.9	32.1	31.8	32.7	34.2	35.3	37.1	38.4	29.3	32.8	33.5	34.5	35.2	36.8	37.7
Total	1,365.3	1,458.5	1,485.3	1,577.9	1,603.5	1,733.5	1,819.5	1,912.3	1,453.4	1,504.9	1,596.3	1,661.1	1,747.6	1,833.5	1,924.7
On-budget	(1,064.1)	(1,069.3)	(1,107.2)	(1,171.6)	(1,224.8)	(1,283.9)	(1,348.9)	(1,417.6)	(1,085.7)	(1,117.4)	(1,179.0)	(1,231.3)	(1,294.4)	(1,358.9)	(1,426.1)
Off-budget	(351.1)	(387.4)	(388.0)	(406.3)	(427.8)	(450.0)	(471.2)	(494.6)	(367.7)	(387.4)	(407.2)	(429.8)	(453.2)	(474.6)	(498.6)

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Table 18. OUTLAYS BY AGENCY
(In billions of dollars)

	1995 actual	March estimates					Mid-Session estimates								
		1996	1997	1998	1999	2000	2001	2002	1996	1997	1998	1999	2000	2001	2002
Cabinet agencies:															
Agriculture	56.7	54.8	55.9	55.0	58.7	59.0	60.8	63.2	56.5	59.3	59.4	59.6	60.1	61.7	64.6
Commerce	3.4	3.8	4.0	4.1	4.6	6.1	4.3	4.3	3.8	4.0	4.1	4.5	6.1	4.3	4.3
Defense—Military	259.6	254.3	247.5	243.9	246.5	253.9	256.6	264.9	254.8	247.7	244.1	246.5	253.9	256.6	264.9
Education	31.3	30.4	29.6	28.9	30.0	31.0	32.0	33.1	30.2	28.3	29.3	30.0	31.0	32.0	33.1
Energy	17.6	14.7	14.6	13.9	12.8	11.6	12.0	11.8	14.6	14.5	13.9	12.7	11.4	11.8	11.7
Health and Human Services	303.1	327.4	354.3	377.7	397.2	416.3	439.0	465.4	324.5	351.9	374.0	392.9	411.4	433.4	458.8
Housing and Urban Development	29.0	26.4	32.2	33.2	32.7	30.7	30.0	26.4	30.0	26.4	30.0	32.6	31.9	29.9	30.0
Interior	7.4	6.9	6.9	6.9	6.7	6.7	6.9	7.3	7.0	7.0	7.0	6.9	6.7	6.8	7.2
Justice	10.8	13.0	15.6	17.8	18.8	19.6	19.9	18.8	12.4	15.7	17.9	18.8	19.6	19.8	18.8
Labor	32.1	34.4	35.2	36.1	37.1	38.4	39.7	41.3	33.9	34.3	35.3	36.4	37.8	39.1	40.5
State	5.3	5.5	5.5	5.4	5.2	5.0	5.2	5.4	5.4	5.5	5.4	5.2	5.0	5.2	5.4
Transportation	38.8	39.0	38.1	37.9	35.9	33.8	33.2	34.5	39.8	38.1	38.1	36.3	34.3	33.4	34.4
Treasury	348.6	365.0	368.9	370.2	373.8	376.1	377.4	380.5	366.3	373.7	375.4	377.5	376.6	378.7	380.5
Veterans Affairs	37.8	37.6	39.8	39.3	37.1	37.4	36.3	40.1	37.8	40.1	39.5	37.3	37.6	36.4	40.2
Major agencies:															
Defense—Civil	31.7	32.3	33.3	33.9	34.7	35.5	36.7	38.2	32.3	33.4	34.0	34.8	35.6	36.8	38.2
Environmental Protection Agency	6.4	6.3	6.5	6.6	6.7	7.0	7.2	7.3	6.3	6.4	6.6	6.7	7.0	7.2	7.3
Executive Office Of the President	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Funds Appropriated to the President															
General Services Administration	11.2	10.4	10.3	10.1	10.0	9.5	9.4	10.2	9.7	10.4	10.0	10.0	9.5	9.5	10.1
The Judiciary	0.7	0.5	0.7	0.5	0.2	0.1	0.1	0.1	0.1	0.7	0.9	0.5	0.2	0.1	0.1
Legislative Branch	2.9	3.3	3.6	3.6	3.8	3.9	4.0	4.1	3.3	3.6	3.6	3.7	3.9	4.0	4.1
National Aeronautics and Space Administration	2.6	2.7	2.8	2.8	2.9	2.9	3.0	3.0	2.7	2.8	2.8	2.9	2.9	3.0	3.0
Office of Personnel Management	13.4	14.2	13.7	13.8	12.6	11.9	12.3	13.4	14.2	13.7	13.8	12.6	11.9	12.3	13.4
Small Business Administration	41.3	42.4	44.6	46.7	48.7	51.2	54.0	57.1	42.5	44.8	46.9	48.8	51.3	54.1	57.1
Social Security Administration	0.7	1.0	0.4	0.4	0.4	0.4	0.4	0.5	1.0	0.5	0.4	0.4	0.4	0.4	0.5
All other agencies	362.1	377.3	398.1	418.0	438.3	462.1	479.6	505.5	376.7	399.1	418.0	437.9	461.4	479.0	505.4
Undistributed offsetting receipts	2.2	9.2	21.2	20.2	20.1	18.8	19.1	19.7	13.1	17.0	20.5	20.1	19.2	18.8	19.8
Allowances	-137.6	-139.9	-143.0	-147.6	-152.5	-160.7	-165.8	-191.9	-145.5	-148.2	-148.2	-154.3	-161.8	-169.2	-198.4
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Total		-0.6	-5.0	-6.6	-6.4	-7.1	-2.0	0.3	-0.3	-4.4	-5.8	-5.6	-5.9	2.4	8.5
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Total	1,519.1	1,572.4	1,635.3	1,675.9	1,716.9	1,761.4	1,811.5	1,868.3	1,570.1	1,630.6	1,680.4	1,716.0	1,758.9	1,807.7	1,863.8

Table 19. OUTLAYS BY FUNCTION
(In billions of dollars)

	1995 actual	March estimates					Mid-Session estimates								
		1996	1997	1998	1999	2000	2001	2002	1996	1997	1998	1999	2000	2001	2002
National defense	272.1	265.6	258.7	254.8	256.5	262.9	266.0	275.5	266.0	259.0	255.0	256.5	263.0	266.0	275.6
International affairs	16.4	14.8	15.0	14.4	14.0	13.4	13.5	14.5	14.0	15.1	14.3	14.0	13.4	13.6	14.5
General science, space, and technology	16.7	16.9	16.6	16.6	15.6	14.9	15.3	16.5	16.9	16.6	16.6	15.6	14.9	15.3	16.5
Energy	4.9	3.2	2.2	1.9	1.9	1.5	1.6	0.3	2.8	2.3	1.9	1.7	1.3	1.4	-*
Natural resources and environment	22.1	21.6	21.6	21.0	20.8	20.4	20.8	21.7	21.8	19.7	19.0	18.9	18.5	19.1	20.0
Agriculture	9.8	7.7	7.7	9.0	8.5	7.6	7.4	7.4	9.7	13.3	13.0	12.2	11.4	10.8	11.2
Commerce and housing credit	-14.4	-10.7	5.6	6.4	7.0	6.7	4.5	4.6	-6.8	-0.6	7.2	7.1	8.2	3.9	4.6
Transportation	39.4	39.8	39.1	38.9	36.9	34.8	34.1	35.5	40.5	39.2	39.2	37.3	35.3	34.3	35.4
Community and regional development	10.6	12.9	11.8	10.5	9.5	8.3	8.0	8.1	12.7	11.6	10.4	9.6	8.4	8.1	8.2
Education, training, employment, and social services	54.3	54.1	53.5	53.8	55.6	57.2	59.5	62.2	53.2	51.6	53.7	55.1	56.8	59.0	61.7
Health	115.4	121.2	134.6	141.3	146.6	162.1	168.4	182.2	119.4	132.3	138.5	143.2	148.4	152.3	157.5
Medicare	159.9	177.6	190.1	204.9	218.4	231.1	245.4	267.0	177.6	191.1	205.5	219.0	231.7	248.9	267.4
Income security	220.4	228.3	236.7	244.9	253.4	264.3	269.3	281.6	228.5	236.7	244.1	252.2	263.1	268.2	280.5
Social Security	335.8	350.9	368.1	386.2	404.8	424.4	445.0	466.7	350.7	368.4	386.5	404.6	424.0	444.8	467.0
Veterans benefits and services	37.9	37.7	39.9	39.4	37.2	37.4	36.4	40.2	37.9	40.3	39.7	37.4	37.7	36.5	40.3
Administration of justice	16.2	18.8	22.0	24.0	24.9	25.6	26.1	26.4	18.2	22.1	24.1	24.8	25.6	26.1	25.5
General government	13.8	13.6	14.6	14.4	14.2	14.4	14.9	15.5	13.8	14.8	14.3	14.1	14.1	14.6	15.1
Net interest	232.2	241.1	238.5	236.1	234.6	229.9	227.0	223.2	241.5	240.3	238.2	235.5	229.6	225.4	220.0
Allowances .....	.....	-0.3	-0.1	-0.1	-0.1	-0.1	5.1	9.0	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1	8.0
Undistributed offsetting receipts	-44.5	-42.3	-41.0	-42.4	-43.4	-45.5	-47.9	-68.7	-47.9	-44.1	-40.9	-42.9	-46.3	-48.3	-72.4
Total	1,519.1	1,572.4	1,635.3	1,675.9	1,716.9	1,761.4	1,811.5	1,866.3	1,570.1	1,630.6	1,690.4	1,716.0	1,758.9	1,807.7	1,863.8

* \$50 million or less.

Table 20. DISCRETIONARY BUDGET AUTHORITY BY AGENCY
(In billions of dollars)

Agency	1995 Actual	March estimates							Mid-Session estimates						
		1996	1997	1998	1999	2000	2001	2002	1996	1997	1998	1999	2000	2001	2002
Cabinet agencies:															
Agriculture	15.5	15.1	15.3	14.8	14.3	13.8	14.8	16.0	15.5	15.2	14.8	14.3	13.8	14.9	16.1
Commerce	4.1	3.8	4.3	4.4	4.8	6.0	4.3	4.5	3.6	4.3	4.4	4.8	6.0	4.3	4.5
Defense—Military	257.4	252.6	243.4	248.9	255.0	262.4	270.3	277.3	253.5	243.4	248.9	255.0	262.4	270.3	277.3
Education	24.5	24.1	25.6	26.3	27.1	27.8	28.6	29.4	21.5	25.6	26.3	27.1	27.8	28.6	29.4
Energy	17.2	16.4	16.3	16.0	14.5	13.2	14.9	16.8	16.3	16.3	16.0	14.5	13.2	14.9	16.8
Health and Human Services	33.3	32.8	35.0	34.3	33.6	32.9	35.1	37.5	32.8	35.0	34.3	33.6	32.9	35.1	37.5
Housing and Urban Development	20.1	20.3	21.7	26.7	28.6	30.4	33.4	36.5	19.7	21.7	26.7	28.6	30.4	33.4	36.5
Interior	7.2	6.9	7.2	7.1	6.9	6.8	7.1	7.6	6.9	7.2	7.1	6.9	6.8	7.1	7.6
Justice	12.3	14.5	16.4	17.6	18.6	18.7	17.7	16.6	14.5	18.4	17.6	18.6	18.7	17.7	16.6
Labor	9.4	9.8	10.4	10.6	10.7	10.8	11.1	11.5	9.5	10.4	10.6	10.7	10.8	11.1	11.5
State	4.9	4.8	5.0	4.8	4.6	4.3	4.7	4.8	4.6	5.0	4.8	4.6	4.3	4.7	4.8
Transportation	11.2	12.5	12.5	12.0	11.6	11.2	12.0	12.8	12.7	12.5	12.0	11.6	11.2	12.0	12.8
Treasury	10.7	10.5	11.5	11.4	11.3	11.2	11.6	12.0	10.4	11.4	11.3	11.1	11.0	11.5	11.9
Veterans Affairs	18.2	18.6	18.9	17.5	16.0	14.4	16.4	18.6	18.3	18.9	17.5	16.0	14.4	16.4	18.6
Major agencies:															
Defense—Civil	3.4	3.3	3.4	3.2	3.0	2.7	3.0	3.4	3.4	3.4	3.2	3.0	2.7	3.0	3.4
Environmental Protection Agency	6.0	6.7	7.0	7.1	7.2	7.3	7.5	7.8	6.5	7.0	7.1	7.2	7.3	7.5	7.8
Executive Office of the President	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Funds Appropriated to the President	12.1	11.1	11.4	11.0	10.7	10.3	11.0	11.7	10.9	11.3	10.9	10.6	10.3	11.0	11.7
General Services Administration	0.2	0.2	0.7	0.1	0.1	0.1	0.1	0.1	0.5	0.9	0.1	0.1	0.1	0.1	0.1
The Judiciary	2.7	2.8	3.2	3.3	3.4	3.6	3.6	3.7	2.8	3.2	3.3	3.4	3.5	3.6	3.7
Legislative Branch	2.4	2.2	2.4	2.4	2.5	2.5	2.5	2.6	2.2	2.4	2.4	2.5	2.5	2.5	2.6
National Aeronautics and Space Administra- tion	13.9	13.8	13.8	13.1	12.4	11.6	12.7	14.0	13.9	13.8	13.1	12.4	11.6	12.7	14.0
Office of Personnel Management	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Small Business Administration	6.8	0.7	0.8	0.7	0.7	0.6	0.7	0.8	0.8	0.8	0.7	0.7	0.6	0.7	0.8
Social Security Administration	2.4	2.1	2.1	2.1	2.1	2.1	2.2	2.3	1.9	2.2	2.3	2.4	2.4	2.5	2.6
All other agencies	14.9	14.0	11.1	10.7	10.6	10.1	10.9	11.7	13.8	11.1	10.7	10.6	10.1	10.8	11.6
Allowances .....	.....	0.1	1.9	0.5	0.7	0.8	9.5	9.7	.....	1.7	.....	.....	.....	13.7	15.1
Total	504.9	499.3	501.3	507.0	511.1	516.1	546.1	570.0	497.1	501.5	506.4	510.5	515.5	550.4	575.6

Table 21. DISCRETIONARY BUDGET AUTHORITY BY FUNCTION
(In billions of dollars)

	1995 actual	March estimates					Mid-Session estimates								
		1996	1997	1998	1999	2000	2001	2002	1996	1997	1998	1999	2000	2001	2002
National defense	267.8	263.9	255.0	259.5	264.7	271.1	280.2	288.5	264.9	255.0	259.5	264.7	271.1	280.2	288.5
International affairs	20.4	18.8	19.4	18.6	17.8	17.0	18.2	19.4	18.4	19.2	18.5	17.8	17.0	18.2	19.4
General science, space, and technology	16.7	16.7	17.9	16.0	15.3	14.5	15.8	17.1	16.7	17.9	16.0	15.3	14.5	15.8	17.1
Energy	6.2	4.9	4.6	5.1	4.9	4.6	5.1	5.6	4.8	4.6	5.1	4.9	4.6	5.1	5.6
Natural resources and environment	20.4	20.2	21.2	21.0	20.6	20.3	21.2	22.4	20.6	21.3	21.0	20.6	20.3	21.2	22.4
Agriculture	4.0	3.9	4.1	3.7	3.4	3.1	3.5	4.0	4.0	4.0	3.8	3.4	3.1	3.5	4.0
Commerce and housing credit	3.6	1.6	3.4	3.4	3.6	4.7	3.2	3.5	1.8	3.4	3.4	3.6	4.7	3.2	3.5
Transportation	12.5	13.4	13.6	13.0	12.6	12.1	12.9	13.9	13.6	13.6	13.0	12.6	12.1	12.9	13.9
Community and regional development	12.0	11.4	8.9	8.5	8.0	7.5	8.3	9.2	11.6	8.9	8.5	8.0	7.5	8.3	9.2
Education, training, employment, and social services	39.5	39.2	42.3	43.2	44.2	45.1	46.9	48.8	36.2	42.2	43.2	44.1	45.0	46.9	48.8
Health	22.8	23.2	24.2	23.5	22.9	22.2	23.5	25.0	23.2	24.2	23.5	22.9	22.2	23.5	25.0
Medicare	3.0	2.6	2.8	2.8	2.8	2.8	2.8	2.8	2.6	2.8	2.8	2.8	2.8	2.8	2.9
Income security	27.3	28.9	29.3	34.5	37.0	39.1	42.1	45.1	27.8	29.1	34.2	36.5	38.7	41.7	44.7
Social Security	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Veterans benefits and services	18.2	18.7	19.0	17.5	16.0	14.5	16.5	18.7	18.4	19.0	17.5	16.0	14.5	16.5	18.7
Administration of justice	18.3	20.4	23.2	24.0	24.9	25.0	24.3	23.7	20.4	23.2	24.0	24.9	25.0	24.3	23.7
General government	11.9	11.7	13.1	12.6	12.5	12.4	12.8	13.1	11.9	13.2	12.5	12.4	12.3	12.6	13.0
Allowances	•	•	•	•	•	•	8.7	9.0	•	•	•	•	•	13.7	15.1
Total	504.9	499.9	501.8	507.0	511.1	516.1	546.1	570.0	497.1	501.5	506.4	510.5	515.5	550.4	575.6

• \$50 million or less.

Table 22. FEDERAL GOVERNMENT FINANCING AND DEBT ¹
(In billions of dollars)

	Actual 1995	Estimates						
		1996	1997	1998	1999	2000	2001	2002
Financing:								
Surplus or deficit (-)	-163.9	-116.8	-125.7	-94.1	-54.9	-11.3	25.8	60.9
(On-budget)	-226.3	-182.7	-195.7	-173.6	-144.6	-109.0	-78.7	-51.4
(Off-budget)	62.4	65.9	70.0	79.5	89.7	97.7	104.5	112.3
Means of financing other than borrowing from the public:								
Changes in: ²								
Treasury operating cash balance	-2.0	-2.1	.....	.....	.....	.....	.....	.....
Checks outstanding, etc. ³	-2.8	-0.4	-2.6	.....	.....	.....	.....	.....
Deposit fund balances	0.9	0.1	-1.5	.....	.....	.....	.....	.....
Seigniorage on coins	0.7	0.6	0.6	0.6	0.7	0.7	0.7	0.8
Less: Net financing disbursements:								
Direct loan financing accounts	-7.0	-24.7	-18.6	-23.6	-27.0	-28.3	-28.4	-26.1
Guaranteed loan financing accounts	2.9	-0.4	0.8	-2.0	-2.2	-2.4	-1.9	-1.9
Total, means of financing other than bor- rowing from the public	-7.4	-26.9	-21.3	-25.0	-28.5	-30.0	-29.6	-27.2
Total, requirement for borrowing from the public	-171.3	-143.7	-147.1	-119.1	-83.4	-41.3	-3.8	33.7
Change in debt held by the public	171.3	143.7	147.1	119.1	83.4	41.3	3.8	-33.7
Debt Outstanding, End of Year:								
Gross Federal debt:								
Debt issued by Treasury	4,894.0	5,145.0	5,423.7	5,674.9	5,900.2	6,096.8	6,263.3	6,400.7
Debt issued by other agencies	27.0	35.1	33.3	30.0	29.9	29.8	29.5	29.1
Total, gross Federal debt	4,921.0	5,180.1	5,457.0	5,704.9	5,930.1	6,126.5	6,292.9	6,429.7
Held by:								
Government accounts	1,317.6	1,433.0	1,562.8	1,691.6	1,833.4	1,988.5	2,151.1	2,321.7
The public	3,603.4	3,747.1	3,894.1	4,013.3	4,096.7	4,138.0	4,141.8	4,108.1
Federal Reserve Banks	374.1							
Other	3,299.3							
Debt Subject to Statutory Limitation, End of Year:								
Debt issued by Treasury	4,894.0	5,145.0	5,423.7	5,674.9	5,900.2	6,096.8	6,263.3	6,400.7
Less: Treasury debt not subject to limi- tation ⁴	-15.6	-15.6	-15.6	-15.6	-15.6	-15.6	-15.6	-15.6
Agency debt subject to limitation	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Adjustment for discount and premium ⁵	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1
Total, debt subject to statutory limita- tion	4,884.6	5,135.6	5,414.3	5,665.5	5,890.8	6,087.4	6,254.0	6,391.3

¹ Treasury securities held by the public and zero-coupon bonds held by Government accounts are almost entirely measured at sales price plus amortized discount or less amortized premium. Agency debt is almost entirely measured at face value. Treasury securities in the Government account series are measured at face value less unrealized discount (if any).

² A decrease in the Treasury operating cash balance (which is an asset) is a means of financing the deficit. It therefore has a positive sign, which is opposite to the sign of the deficit. An increase in checks outstanding or deposit fund balances (which are liabilities) is also a means of financing the deficit and therefore also has a positive sign.

³ Besides checks outstanding, includes accrued interest payable on Treasury debt, miscellaneous liability accounts, allocations of special drawing rights, and, as an offset, cash and monetary assets other than the Treasury operating cash balance, miscellaneous asset accounts, and profit on sale of gold.

⁴ Consists primarily of Federal Financing Bank debt.

⁵ Consists of unamortized discount (less premium) on public issues of Treasury notes and bonds (other than zero-coupon bonds) and unrealized discount on Government account series securities.

⁶ The statutory debt limit is \$5,500 billion.

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MID-SESSION REVIEW
OF THE
1997 BUDGET



July 1996